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January 31, 2011

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **CITY OF PALMDALE CONTRACT REVIEW – A COMMUNITY AND
SENIOR SERVICES WORKFORCE INVESTMENT ACT PROGRAM
PROVIDER**

We completed a program, fiscal and administrative contract compliance review of the City of Palmdale (Palmdale or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider. Palmdale subsequently subcontracted with Goodwill Industries of Southern California (Goodwill) to provide direct program services. Contracted services include the WIA Formula and American Recovery and Reinvestment Act (ARRA) Adult and Dislocated Worker Programs and the Governor's Economic Stimulus (Stimulus) Dislocated Worker Program. The WIA Formula Adult and Dislocated Worker Programs assist individuals in obtaining employment, retaining their jobs and increasing their earnings. The WIA ARRA Adult and Dislocated Worker Programs and Stimulus Dislocated Worker Program provide supplemental funding for the WIA Formula Adult and Dislocated Worker Programs.

The County paid Palmdale on a cost-reimbursement basis totaling \$1,274,333 (\$774,095 for Formula, \$489,997 for ARRA and \$10,241 for Stimulus) for Fiscal Year (FY) 2009-10. Palmdale and Goodwill serve residents residing in the Fifth District.

Results of Review

Generally, Goodwill provided the required program services to eligible participants in accordance with the County contract and WIA guidelines. However, Palmdale and Goodwill billed CSS \$12,315 in questioned costs. Specifically:

- Palmdale billed ARRA for 100% of their facilities and utilities expenditures even though the Formula Adult, Dislocated Worker and Stimulus Dislocated Worker Programs also occupied space and benefited from the expenditures. Questioned costs totaled \$7,868.

Palmdale's attached response indicates that the City is currently working with CSS to correctly allocate shared program costs.

- Goodwill billed 100% of office supplies and utilities expenditures to the Formula Adult and Dislocated Worker Programs even though the ARRA Adult, Dislocated Worker and Stimulus Programs benefited from those expenditures. Questioned costs totaled \$2,847.

Palmdale's attached response indicates that Goodwill will provide documentation that showed they reallocated the \$2,847 in questioned costs. However, Goodwill did not provide the documentation to indicate that the overbilled amounts were credited back to CSS.

- Palmdale billed CSS \$1,600 in unsupported payroll expenditures.

Palmdale's attached response indicates that they billed CSS for "actual salaries for the employee who directly charges time for services at the WorkSource Center." The actual hours worked are then "appropriately reclassified to all the Adult and Dislocated Worker Programs." Palmdale provided the employee's daily work reports to show the hours worked were directly charged to the WorkSource Center. However, Palmdale did not provide documentation on how they calculated the allocation percentages used to "appropriately reallocate" the employee's salaries to the WIA Programs.

In addition, Palmdale and Goodwill did not always comply with other WIA and County contract requirements. In addition, similar findings were noted during prior monitoring reviews. For example:

- Palmdale's Cost Allocation Plan was not prepared in compliance with the County contract. Specifically, Palmdale's Cost Allocation Plan indicated that facilities and utilities expenditures were to be allocated between ARRA Adult and Dislocated Worker Programs only, even though the Agency also operates WIA-related programs at the same facility.

Palmdale's attached response indicates that they submitted a revised Cost Allocation Plan to CSS and is currently working with CSS to correctly allocate their shared program costs.

- Goodwill did not verify income status for two (20%) of the ten ARRA Adult participants sampled as required by WIA Directive WIA/ARRA A D09-03.

Palmdale's attached response indicates that management will ensure Goodwill case managers conduct income verification for WIA ARRA Adult Program participants.

- Goodwill did not accurately report the participants' program activities on the Job Training Automation System as required by WIA Directive LACOD-WIAD08-20 for two (4%) (one ARRA adult and one Stimulus Dislocated Worker) of the 51 participants sampled. This finding was noted during prior monitoring reviews.
- Goodwill did not develop and implement WIA ARRA policies and procedures as required by WIA Directives WIA/ARRA A D09-03, ADW D09-05, ADW D09-06, ADW D09-07 and ADW D09-08. Subsequent to our review, Goodwill developed the WIA ARRA policies and procedures as required.
- Palmdale's equipment inventory listing was incomplete and inaccurate. Specifically, only 28 (50%) of the 56 items were accounted for and the remaining 28 items on the FY 2008-09 inventory listing were not on the FY 2009-10 equipment inventory listing or on the Agency's salvaged inventory listing. A similar finding was noted during prior monitoring reviews.

Palmdale's attached response indicates that the City has contracted with SBL Accountancy to provide compliance monitoring services. In addition, Palmdale management will meet with Goodwill on a quarterly basis to ensure that all fixed assets and equipment are accounted for and safeguarded.

- Palmdale did not obtain prior approval from CSS for the disposal of salvaged items or properly tag 24 items identified in the Agency's FY 2009-10 equipment inventory listing with County property tags as required by Attachment XV, Section II.A.1 of the County contract.

Subsequent to our review, Palmdale's management indicated that the salvaged items were actually not disposed of, as previously indicated, but were at another location and that the 24 items were not purchased with WIA funds and as such the items should not have been listed on the County's inventory listing.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Palmdale, Goodwill and CSS. Palmdale generally agreed with our findings and recommendations. CSS management indicated that they will resolve the repetitive and disputed findings in accordance with its Resolution

Procedures Directive. CSS will request that the contractor provide a Corrective Action Plan which will address the outstanding findings and questioned costs. CSS staff will also review the Corrective Action Plan and will provide technical assistance on an as-needed basis to address programmatic issues.

We thank Palmdale management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Stephen H. Williams, City Manager, City of Palmdale
James C. Ledford, Jr., Mayor, City of Palmdale
Douglas H. Barr, President and CEO, Workforce Career Development of Goodwill
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAMS
CITY OF PALMDALE
FISCAL YEAR 2009-10**

ELIGIBILITY

Objective

Determine whether the City of Palmdale (Palmdale or Agency) effectively monitored Goodwill Industries of Southern California (Goodwill) to ensure that program services were provided to individuals that met the eligibility requirements of the Workforce Investment Act (WIA) Formula, American Recovery and Reinvestment Act (ARRA) and Dislocated Worker Governor's Economic Stimulus (Stimulus) Programs.

Verification

As requested by Community and Senior Services (CSS), we reviewed the case files for 51 (31%) (ten Formula Adults, ten Formula Dislocated Workers, ten ARRA Adults, ten ARRA Dislocated Workers, and eleven Stimulus Dislocated Workers) of the 165 participants that received services from July 2009 through March 2010 for documentation to confirm their eligibility for WIA services.

Results

Palmdale effectively monitored Goodwill to ensure that services were provided to eligible participants. All 51 participants sampled met the eligibility requirements for the WIA Programs.

Recommendation

None.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether Palmdale effectively monitored Goodwill to ensure the subcontractor provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in 51 (31%) participants' case files that received services from July 2009 through March 2010.

Results

Goodwill did not always comply with WIA and County contract requirements. Specifically, Goodwill did not:

- Verify income status for two (20%) of the ten ARRA Adult participants sampled as required. According to WIA Directive WIA/ARRA A D09-03, income status must be verified in order to provide priority of services to recipients of public assistance and other low-income individuals when the funds to a local area are deemed limited.
- Maintain certificates of completion for the training courses reported as completed for two (4%) of the 51 participants sampled. Subsequent to our review, Goodwill provided a certificate of completion for the two participants.
- Exit two (4%) of the 51 participants sampled after 90 days of inactivity as required by WIA Directive WIAADM D-10-01.
- Complete the Individual Employment Plans (IEP) as required by WIA Bulletin IB-DWA-00-008 SNB-004 for two (4%) (one Formula Adult and one ARRA Dislocated Worker) of the 51 participants sampled. Specifically, Goodwill did not complete an IEP for the participant who received intensive services or document the need for supportive services on a participant's IEP even though supportive services were provided. The IEP is an on-going plan, jointly developed by the participants and the case manager that identifies the participant's employment goals, achievement objectives and the services needed to achieve their employment goals.
- Accurately report the participants' program activities on the Job Training Automation (JTA) System as required by WIA Directive LACOD-WIAD08-20 for two (4%) (one ARRA Adult and one Stimulus Dislocated Worker) of the 51 participants sampled. The State of California Employment Development Department and the Department of Labor use the JTA System to track WIA participant activities. Similar findings were also noted during the prior three years' monitoring reviews. CSS management indicated that they will resolve the repetitive findings in accordance with its Resolution Procedures Directive.

Recommendations

Palmdale management ensure that Goodwill:

1. **Conducts income verification for WIA ARRA Adult Program participants as required upon enrollment.**
2. **Maintains certificates of completion in the participants' case files for training courses completed.**
3. **Exits participants after 90 days of inactivity.**

4. Completes the IEPs as required.
5. Updates the JTA System within the required timeframes following the reporting period to accurately reflect the participants' program activities.

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's bank activity for December 2009, January and February 2010.

Results

Palmdale maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN

Objective

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and used to appropriately allocate shared program expenditures.

Palmdale sub-contracted with Goodwill to provide WIA Program services. As a result, Goodwill also incurred program expenditures for Fiscal Year (FY) 2009-10.

Verification

We reviewed both Palmdale and Goodwill's Cost Allocation Plans and a sample of expenditures incurred by Palmdale and Goodwill in July 2009 to October 2009 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Palmdale and Goodwill billed CSS \$10,715 in questioned costs. Specifically:

- Palmdale billed 100% of their facilities and utilities expenditures to the ARRA Adult and Dislocated Worker Programs even though the Formula Adult, Dislocated Worker and Stimulus Dislocated Worker Programs also occupied space and benefited from the expenditures. The questioned costs totaled \$7,868.
- Goodwill billed 100% of their office supplies and utilities expenditures to the Formula Adult and Dislocated Worker Programs even though the ARRA Adult, Dislocated Worker and Stimulus Programs benefited from those expenditures. The questioned costs totaled \$2,847.

In addition, Palmdale's Cost Allocation Plan did not properly allocate shared program expenditures to all programs that benefited from those expenditures. Specifically, Palmdale's Cost Allocation Plan indicated that facilities and utilities expenditures were to be allocated between ARRA Adult and Dislocated Worker Programs even though the Agency also operates the Formula Adult, Dislocated Worker and Stimulus Programs at the same facility. Palmdale's management also did not certify the accuracy of the Cost Allocation Plan as required by Part C, Section 2.4 of the Auditor-Controller Contract Accounting and Administrative Handbook. Subsequent to our review, Palmdale submitted a revised Cost Allocation Plan. However, the revised Cost Allocation Plan did not allocate shared program expenditures based on the program that benefited and management did not certify the accuracy of the Cost Allocation Plan as required.

Recommendations

Palmdale management:

6. **Repay \$10,715 or provide documentation to CSS to prove that the shared program expenditures were reallocated among the benefited programs in prior and subsequent months billing.**
7. **Ensure that shared program expenditures are appropriately allocated among all benefiting programs.**
8. **Ensure that the Cost Allocation Plan is prepared in compliance with the County contract.**

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program-related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 25 non-payroll expenditure transactions billed by the Agency from July through October 2009, totaling \$24,407.

Results

As previously indicated, Palmdale did not bill facilities, utilities and office supply expenditures to all the programs that benefited from those expenditures.

Recommendation

Refer to Recommendations 6, 7 and 8.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various areas such as expenditures, payroll and personnel.

Results

Goodwill did not develop and implement WIA ARRA policies and procedures as required to:

- Provide priority of services to low income individuals for the WIA ARRA Adult Program as required by WIA ARRA Directive WIA/ARRA A D09-03.
- Provide priority services for mature workers as required by WIA ARRA Directive WIA/ARRA ADW D09-05.
- Designate 45% of funding for training and needs-related payments/support services as required by WIA ARRA Directive WIA/ARRA ADW D09-06.
- Coordinate special projects, priorities and initiatives with WIA ARRA Programs as required by WIA ARRA Directive WIA/ARRA ADW D09-07.

- Identify, evaluate and track needs-related payments as required by WIA ARRA Directive WIA/ARRA ADW D09-08.

Subsequent to our review, Goodwill developed the WIA ARRA policies and procedures as required.

Recommendation

9. Palmdale management ensure that Goodwill implements all required WIA ARRA policies and procedures.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Palmdale's fixed assets and equipment purchases made with WIA funds are used for the WIA Programs and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory and reviewed the usage of ten items purchased with WIA funds.

Results

Palmdale used the items purchased with WIA funding for the WIA Programs. However, Palmdale's inventory listing was incomplete and inaccurate. Specifically, Palmdale's:

- Inventory listing for FY 2008-09 identified 56 items as being funded by WIA funds. As of our review date, however, only 28 (50%) of the 56 items were accounted for and the remaining 28 items on the FY 2008-09 inventory listing were neither on the FY 2009-10 equipment inventory listing or on the Agency's salvaged inventory listing.
- FY 2009-10 inventory listing identified ten additional items that were neither purchased nor listed in the prior year's equipment inventory listing.
- Salvaged inventory listing identified five additional items that were not listed on either FY 2008-09 or FY 2009-10 equipment inventory listings.
- FY 2009-10 equipment inventory listing did not contain all the required information, such as cost of the property, purchase order number and percentage of Federal participation, as required by WIA Directive D-DWA-04-024.

According to Agency management, Palmdale used to have a comprehensive inventory listing. However, since they separated the inventory listing based on program funding, the Agency has been experiencing difficulty in accounting for their equipment inventory.

Similar findings were also noted during the prior two years' monitoring reviews.

In addition, Palmdale did not obtain prior approval from CSS for the disposal of salvaged items as required by Attachment XV of the County contract, or properly tag 24 (57%) of the 42 items identified in the Agency's FY 2009-10 equipment inventory listing with County property tags as required by Attachment XV, Section II.A.1 of the County contract. Subsequent to our review, Palmdale's management indicated that the salvaged items were actually not disposed of, as previously indicated, but were at another location and that the 24 items were not purchased with WIA funds and as such the items should not have been listed on the County's inventory listing.

Recommendations

Palmdale management:

- 10. Ensure that all fixed assets and equipment are accounted for and safeguarded.**
- 11. Ensure that the Agency's inventory listing is complete, accurate and contains all the required information.**

CSS management:

- 12. Conduct a reconciliation between Palmdale and CSS' inventory listings to ensure that Palmdale's WIA funded inventory listing is accurate and complete.**
- 13. Conduct a physical inventory to ensure that all WIA inventory are accounted for and properly tagged.**

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the WIA Programs. In addition, determine whether the Agency obtained verified employability, and maintained current driver's licenses and proof of automobile insurances for the employees assigned to the WIA Programs.

Palmdale sub-contracted with Goodwill to provide WIA Program services. As a result, Goodwill also incurred program payroll expenditures for FY 2009-10.

Verification

We traced the payroll expenditures for six employees totaling \$21,357 for October 2009 to the Agency's payroll records and time reports. We also reviewed their personnel files for one Palmdale employee and five Goodwill employees assigned to the WIA Programs.

Results

Palmdale's personnel file for the one employee was maintained as required. However, Palmdale billed CSS \$1,600 in payroll expenditures based on budgeted amounts not actual expenditures. Subsequent to our review, Palmdale provided the employee's daily work reports to show the hours worked were directly charged to the WorkSource Center. However, Palmdale did not provide documentation on how they calculated the allocation percentages used to "appropriately reallocate" the employee's salaries to the WIA Programs. For example, Palmdale did not charge the employee's payroll expenditures to the WIA Formula Dislocated Worker Program and as a maintenance person, this employee provided services to all programs.

Goodwill appropriately charged payroll expenditures to the WIA Programs. However, Goodwill did not maintain current driver's licenses or proofs of automobile insurances in the employees' personnel files in two (40%) of the five Goodwill employees sampled. Subsequent to our review, Goodwill provided copies of the employees' driver's licenses and proofs of automobile insurances.

Recommendations**Palmdale management:**

- 14. Repay \$1,600 or provide documentation to CSS to support how the employee's payroll expenditures were allocated among the benefited programs.**
- 15. Review and reallocate the payroll expenditures based on actual hours worked by program and repay CSS for any unsupported and overbilled amounts.**
- 16. Bill actual payroll expenditures based on actual recorded hours worked by program.**
- 17. Ensure that Goodwill maintain employees' personnel files as required.**

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's FY 2008-09 final close-out invoices for the WIA Formula Adult and Dislocated Worker Programs, and Governor's Economic Stimulus Dislocated Worker Program reconciled to the Agency's accounting records. Palmdale did not have contracts for the WIA ARRA Adult and Dislocated Worker Programs for FY 2008-09.

Verification

We traced Palmdale and Goodwill's FY 2008-09 accounting records to the Agency's final close-out invoices for FY 2008-09. We also reviewed a sample of expenditures incurred by Goodwill from July 2008 and March through June 2009.

Results

Palmdale and Goodwill's FY 2008-09 accounting records reconciled to the Agency's final close-out invoices.

Recommendation

None.



PALMDALE

a place to call home

September 13, 2010

JAMES C. LEDFORD, JR.
Mayor

TOM LACKY
Mayor Pro Tem

LAURA BETTENCOURT
Councilmember

MIKE DISPENZA
Councilmember

STEVEN D. HOFBAUER
Councilmember

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Auxiliary aids provided for

communication accessibility

upon 72 hours' notice and request

Ms. Wendy L. Watanabe
Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 S. Figueroa Street, 8th floor
Los Angeles, CA 90071
Attention: Yoon Bae

Re: Response to Fiscal Year 2009-2010 Audit

Dear Ms. Watanabe:

The following is the City of Palmdale's response to the Fiscal Year 2009-10 program, fiscal and administrative contract audit on the Workforce Investment Act (WIA) program at the South Valley WorkSource Center. Listed are your recommendations along with the City's correlating responses.

BILLED SERVICES/CLIENT VERIFICATION

1. Palmdale management ensure that Goodwill conducts income verification for WIA ARRA Adult Program participants as required upon enrollment.
2. Palmdale management ensure that Goodwill maintains certificates of completion in the participants' case files for training courses completed.
3. Palmdale management ensure that Goodwill exits participants after 90 days of inactivity.
4. Palmdale management ensure that Goodwill completes the Individual Employment Plans as required.
5. Palmdale management ensure that Goodwill updates the JTA System within the required timeframes following the reporting period to accurately reflect the participants' program activities

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Response/Corrective Action Plan FY 2009-10
WIA/ARRA Program Monitoring
City of Palmdale

Response (Recommendations 1-5): The City of Palmdale has contracted with SBL Accountancy to provide monitoring services for the South Valley WorkSource Center that will review contract, fiscal and programming compliance. In addition, Palmdale management will take the following actions: 1) ensure that Goodwill implements policies and procedures to ensure that the case managers conduct income verification for WIA ARRA Adult Program participants as required; 2) ensure that Goodwill train case managers to maintain certificates of completion for training courses completed; 3) ensure that Goodwill exits participants after 90 days of inactivity; 4) ensure that Goodwill completes the Individual Employment Plans as required; and 5) meet with Goodwill and reiterate the responsibility of meeting the required timeframes.

COST ALLOCATION PLAN

6. Palmdale management repay \$10715 or provide documentation to CSS to prove that the shared program expenditures were reallocated among the benefited programs in prior and subsequent months billing.

Response: Regarding the questioned costs totaling \$2,847, Goodwill has reallocated those expenditures, based on FTE costs, to each program in proportion to benefits received. Goodwill provided the Auditor-Controller's Office with the May 2010 invoices that included the reallocated amounts to the programs, the corresponding journal entries, and supporting schedules. During the review, Goodwill also made available the payroll registers and time cards that support the allocation basis for the questioned costs. Goodwill management believes they have provided the Auditor-Controller's Office with adequate documentation to resolve this finding. In response to the \$7,868 questioned expenses by Palmdale, the City is working with CSS to implement the correct allocation of shared program costs. The City has submitted a Cost Allocation Plan with correct certification and revised the 2009-10 budgets, which appropriately allocates the program operating costs throughout all of the programs. If additional information is required by CSS, Goodwill will comply with their request and do whatever is necessary to clear this matter. Palmdale management will review invoices submitted to ensure proper allocations.

7. Palmdale management ensure that shared program expenditures are appropriately allocated among all benefiting programs.

Response: The City is working with CSS to implement the correct allocation of shared program costs. The City has submitted a Cost

Response/Corrective Action Plan FY 2009-10
WIA/ARRA Program Monitoring
City of Palmdale

Allocation Plan with correct certification and has modified the 2009-10 budgets, which appropriately allocates the program operating costs throughout all of the programs.

- 8. Palmdale management to ensure that the Cost Allocation Plan is prepared in compliance with the County contract.**

Response: The City is working with CSS to implement the correct allocation of shared program costs. The City has submitted a Cost Allocation Plan with correct certification and revised the 2009-10 budgets, which appropriately allocates the program operating costs throughout all of the programs. Palmdale management will ensure that the Cost Allocation Plan is prepared in compliance with the County contract.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

- 9. Palmdale management ensure that Goodwill implement all required WIA / ARRA policies and procedures.**

Response: As stated above, Goodwill has developed the WIA ARRA policies and procedures as required.

FIXED ASSETS AND EQUIPMENT

- 10. Palmdale management ensure that all fixed assets and equipment are accounted for and safeguarded.**

Response: The City of Palmdale has contracted with SBL Accountancy to provide monitoring services for the South Valley WorkSource Center that will review contract, fiscal and programming compliance. Palmdale management will meet with Goodwill on a quarterly basis to ensure that all fixed assets and equipment are accounted for and safeguarded.

- 11. Palmdale management ensure that the Agency's inventory listing is complete, accurate and contains all the required information.**

Response: CSS conducted an onsite confirmation of all equipment and inventory list. The City of Palmdale obtained the supporting documentation from CSS confirming the equipment listed on inventory list provided by Goodwill is complete and accurate. Additionally, the City of Palmdale has contracted with SBL Accountancy to provide monitoring services for the South Valley WorkSource Center that will review contract, fiscal and programming compliance.

Response/Corrective Action Plan FY 2009-10
WIA/ARRA Program Monitoring
City of Palmdale

PAYROLL AND PERSONNEL

12. Palmdale management repay \$1,600 or provide documentation to CSS to support how the employee's payroll expenditures were allocated among the benefited programs.

13. Palmdale management review and reallocate the payroll expenditures based on actual hours worked by program in the prior and subsequent months and repay CSS for any unsupported and overbilled amounts.

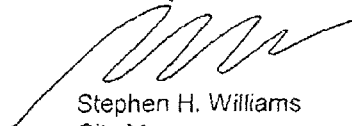
14. Palmdale management bill actual payroll expenditures based on actual recorded hours worked by program.

15. Palmdale management ensure that Goodwill maintain employees' personnel files as required.

Response (Recommendations 12-15): Palmdale invoices CSS for actual salaries of a Custodian who directly charges time for services at the WorkSource Center. The actual hours worked are coded to the City's One Stop budget that is funded by the Community Redevelopment Agency and then are appropriately reclassified to all of the Adult and Dislocated Worker programs. General Ledger reports for all programs were provided at the time of review. In addition, Goodwill will maintain employees' personnel files as required.

If you have any questions regarding the submittal of the City's responses, please contact Kari Tapia, Senior Project Manager at (661) 267-5125.

Sincerely,



Stephen H. Williams
City Manager

Danny Roberts, Assistant Executive Director
David Walter, Economic Development Manager
Dan Smith, Assistant Finance Director
Robert Soule, Director of WorkSource Centers, Goodwill SC
Denise Orme, Controller, Goodwill SC
Jessie Lemos, Grants & Contracts Manager, Goodwill SC